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Britain Curbs Food Prices

U.S. Cotton Prospects in Mediterranean and Scandinavia

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This week's cover:

London shopper pauses at meat counter, mindful of successive British Governments' "cheap food policy." However, the Government's current tough anti-inflation program is confined to policy measures within the framework of its new EC obligations.

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Britain Sets Strict Phase II Controls To Curb Food Prices

By Glen D. Whiteman
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BRITAIN'S STRONG stand at recent intra-European Community (EC) negotiations on food price levels within the Community was part of a tough anti-inflation program being conducted by Her Majesty's Government (HMG). The Government's program to hold domestic prices down is confined to policy measures within the framework of its newly accepted obligations as a member of the EC.

Historically, successive British Governments have followed a "cheap food policy," although the United Kingdom produces only about half the food it consumes and, consequently, is very dependent upon agricultural commodities from other countries.

HMG proposals for Phase II of its anti-inflationary policy were published in a paper on February 26, 1973. This Price and Pay Code includes detailed proposals on future controls over incomes and prices. Most fresh foods have been exempted from Phase I price controls because of the Government's view that a tight rein could not be kept in this sector due to seasonal shifts of supply and demand and uncertainties in international commodity markets which preclude controls by unilateral U.K. Government action.

The February 26 proposal restates the Government's views concerning controls on fresh food, and meat, bacon, poultry, eggs, fresh fruits, and vegetables were exempted from controls. However, the February policy announcement provides that profit margins of enterprises which sell these foods are subject to control. This measure was intended to make sure that price increases cannot be made for any reason other than rises in payments to producers.

Under Phase II, the prices of processed foods may, however, be raised if prices of raw materials make operations uneconomic for the food manufacturers concerned. Included in this category are semiprocessed foodstuffs such as butter, sugar, and quick–frozen vegetables. Notification of, and justification for, any price rises must be provided to permanent commissions designed to regulate wage and price increases. A special panel for the food and drink industries will keep a careful eye on food prices.

Phase II began as Government data issued in February showed a 10 percent increase in the Food Price Index over the past 12 months and a 6.6 percent increase over the previous 6 months.

Just 3 days before the February 26th announcement, the Minister of Agriculture announced that despite the Phase I freeze, price increases had been approved for as much as 20 percent on many processed meat products, including the equivalent of approximately 5 U.S. cents per pound on cooked, pressed, and chopped pork; 10 U.S. cents per pound on ox tongue and canned hams; and approximately 12 U.S. cents per pound on certain cooked beef products.

These increases were approved following representations from manufacturers that they had been so severely squeezed by price increases of raw materials during the Phase I period that they would have to withdraw some of their products from the market if the increases were not granted.

Additional price increases were granted by HMG on March 19 of approximately 2.5 U.S. cents per pound retail level on bacon, 2.5-5 U.S. cents per dozen retail for eggs, and additional increases on some processed meat products in addition to the February 23 increases.

Not surprisingly the anti-EC entry advocates in Britain have attempted to blame EC entry for at least part of the British price increases. Pro-European British leaders, while refuting these charges, are nevertheless concerned that United Kingdom adoption of the high price structure of the Common Agricultural Policy (CAP) will mean that even when the current high world prices decline, the full impact of the decline

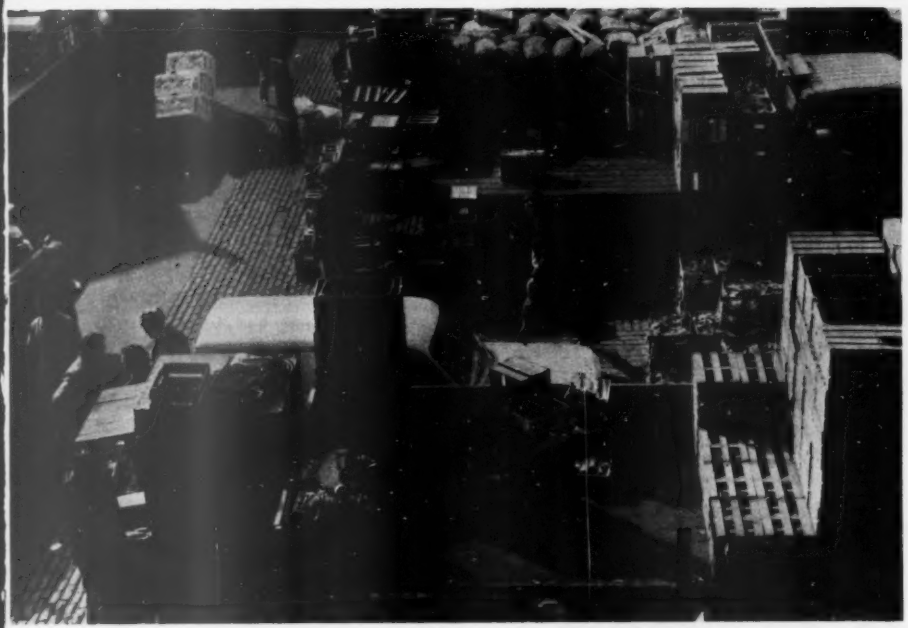
will not be reflected in lower prices to U.K. consumers.

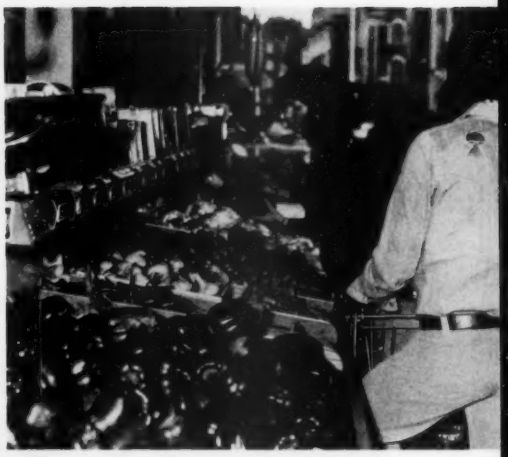
Furthermore, the recent sale of EC surplus butter to the USSR invoked widespread press and public criticism. The British press and public complained that the taxes in the EC-9 were subsidizing the sale of cheap butter to the Russians at the same time that adoption of the EC system was about to increase butter prices to British housewives. The British press wondered aloud why cheap surplus butter could not be made available as an anti-inflationary measure to British housewives, as well as to their Russian counterparts.

This does not mean that the British are trying to destroy the CAP. They went into the EC fully aware of the implications and accepted the CAP as part of the price of membership and as a necessary cornerstone of European unity. However, it does show clearly the British dilemma of a strong desire for cheaper food for the British housewife and an equally strong desire to make the system they have recently entered into work.

AN EXCELLENT summary of British attitudes towards the CAP was given in a speech on January 26, 1973, in Berlin by the U.K. Minister of Agriculture, Joseph Godber. He noted four points that caused the British concern in accepting the CAP: (1) The prospect of a radical change in the system of support, changes in relative costs and prices, and a mass of new and unfamiliar legislation; (2) the prospect of sharp increases in food prices to the British consumer; (3) British obligations to traditional supplying countries, particularly those within the Commonwealth; and (4) the burden that the CAP would impose on the British balance of payments.

Mr. Godber proposed several changes which the British feel would improve the CAP. First, the enlarged Community should strive to make the most effective use of its economic resources. In this regard, he expressed the British belief that an adequate livelihood can be provided for Europe's agricultural





Britain's Phase II controls on food prices exempt most fresh food as much of supply is imported. London shopper, top, makes selection in supermarket. Top right, London meat specialty shop, and fresh produce counter, above.

Covent Garden Market, London, provides the largest number of buyers and sellers and widest variety of fruits and vegetables, and so plays a vital role in price-setting.

population without excessive production.

Second, income support for European farmers can be maintained without passing on an inflationary burden to the consumers within the EC.

Third, EC policy must reflect the Community's responsibilities to the rest of the world and to world stability. As a practical suggestion, Mr. Godber proposed the EC consider a subsidy program, the aim of which would not be to increase output but to improve the net income of Europe's farmers.

Mr. Godber summarized the British position as follows: "Britain has no thought of undermining the CAP, but we want to strengthen it in a way that will bring satisfaction to all who continue to work on the land, while not creating unmanageable surpluses or intolerable financial burdens for consumers and for the EC as a whole."

The Minister has sought, within the Community framework, to avoid increases in CAP price levels which would lead to higher food prices for consumers, and has publicly continued to advocate a Community support system with greater emphasis on direct income payments and less on prices. Mr. Godber has received wide political support for this stand from most segments of the U.K. political community.

The only dissident voice has been raised by the National Farmers Union (NFU), which has on several occasions attacked the Government for putting what it sees as the short-term interests of consumers before the interests of farmers by its opposition to increases in CAP price levels.

The NFU supported the position of COPA, the EC-wide union of farm producers which called for an average price increase of 7.5 percent for 1973-74. At its annual general meeting in London in January, the NFU's much respected Chief Economist and Deputy Director General attacked the Government for having pressed for high compensatory amounts (the payments which are designed to ease the impact of CAP prices on U.K. consumer prices during the early years of transition) for "transient political reasons." The NFU has been particularly unhappy about the Government's efforts to delay the impact of much higher prices for butter and cheese.

UNITED KINGDOM'S SOARING FOOD BILL

Commodity	Mid-March 1972	Mid-Jan. 1973	Mid-Feb. 1973	Mid-March 1973	Prospects, and effect of EC in short term
EGGS (U.S. dol. per 120) large white	4.73	4.10	4.60	5.97	Up until autumn; but new layers breed quickly; no short-term EC effect
BACON (U.S. dol. per ton) Danish A-1	933	1,306	1,368	1,418	Small further increase due to EC. Pig disease in U.K. could add further rises
BEEF (U.S. dol. per cwt.) English hindquarters	66.30	89.53	83.56	84.96	Gradual decline; no EC effect
BARLEY (U.S. dol. per ton) feeding	62.18	99.48	82.07	84.56	Little change; EC will set prices up next year
WHEAT (U.S. dol. per ton) soft milling	64.66	103.21	94.51	93.26	Some decline likely but EC price floor will reverse trend
BREAD (U.S. cents per large white loaf, retail)	.25	.26	.26	.26	Pegged by Government
SUGAR (U.S. dol. per ton)	213.88	261.14	221.34	221.34	Upwards, partly due to removal of U.K. consumer subsidy (EC policy)
BUTTER (U.S. dol. per cwt.) home-produced salted, in bulk	68.39	47.25	48.39	48.25	Up sharply due to EC

Source: *The Sunday Times*, London.

BRAZIL LIMITS EXPORT OF SOYBEANS, OIL, MEAL, AND PELLETS

Reports from São Paulo indicate the Brazilian Government has in recent weeks instituted a number of restrictions to regulate export of soybeans and soybean oil, meal, and pellets.

The most recent of these was a ban by CACEX (Foreign Trade Division of the Bank of Brazil) on foreign sales of soybean oil for an unspecified time. São Paulo trade sources say the current US$150-per-ton differential between domestic and export prices of soybean oil is a threat to domestic supplies.

No ban is currently expected on exports of soybeans, meal, or pellets except the temporary one imposed by CACEX. According to a bank representative exporters of these products will require prior CACEX approval.

Behind the temporary halt in soybean, meal, and pellet exports is CACEX desire to determine how well requirements of the Brazilian feed industry are being met by domestic suppliers. The bank is now conducting a survey to determine the quantity and disposition of soybeans already sold.

No new export licenses will be issued, nor will existing licenses be renewed, until after the survey is completed. Exporters presently holding valid licenses will be allowed to continue exporting soybeans and products.

A requirement in force since February makes mandatory the sale of 1 ton of soybeans (or the meal equivalent thereof) to CACEX for every 3 tons of the commodity licensed for export.

However, a São Paulo report indicates CACEX is "extremely concerned" the three-to-one export quota system on soybean and meal may have been imposed too late. Apparently a surprisingly "huge," but unspecified, quantity of soybeans and products had been licensed and committed for export prior to imposition of quotas on February 20.

If CACEX permits the quota formula to remain unchanged, the domestic feed industry would not be able to obtain projected 1973 soybean meal requirements and reserves are already low.

If the Government decides to ban further export of soybeans licensed for export prior to February 20, 1973, or to make the quota formula retroactive, CACEX would be in violation of the law and liable to court injunctions.

U.S.–USSR Agreement Calls for New Agricultural Cooperation

One of the first official acts during the recent visit of Soviet Communist Party Chief Leonid I. Brezhnev to the United States was the signing on June 19, 1973, of a U.S.-USSR Agreement on Cooperation in the Field of Agriculture.

The culmination of extensive preparatory negotiations, the Agreement is a further symbol of the growing relationships in agriculture between the two countries, each with a huge agricultural production capacity supported by an extensive research and technological development program. By enhancing the exchange of agricultural information, the Agreement will enable both countries to better appraise world supplies and needs. And by providing for cooperation in research and technology, both nations can enter into joint programs of research on crops, livestock, soils and machinery and equipment in an attempt to increase their production capabilities.

The Agreement is to be in force for 5 years, then automatically extended for 5-year periods, unless terminated by either country. Specific provisions call for:

- The regular exchange of information, including forward estimates, on production, consumption, demand, and trade of major agricultural commodities. This includes cooperation in the use of forecasting methods.
- Increased cooperation in plant and animal research, soil science, farm mechanization, agricultural chemicals, land reclamation, and the use of mathematical methods and electronic computers. Included is expansion in the exchange of scientists and specialists, the exchange of technical information, and the exchange of animals, seeds, plant germ plasm, and other biological materials, and the development of joint research and development efforts of mutual benefit to farmers of both countries.
- Increased cooperation and direct contacts between research and other organizations, trade associations, and commercial firms, including assistance for the travel of scientists and specialists in connection with activities under the Agreement.

To implement the Agreement, a U.S.-USSR Joint Committee on Agricultural Cooperation will be established, to meet once a year alternately in the two countries. The Joint Committee will review and approve specific projects, establish procedures, and make recommendations to the two Governments.

Within the framework of the Joint Committee, two Working Groups will be established—a Joint Working Group on Agricultural Economic Research and Information and a Joint Working Group on Agricultural Research and Technological Development. Projects developed by the U.S.-USSR Joint Working Group on Agricultural Research, which were approved by the U.S.-USSR Joint Commission on Scientific and Technical Cooperation on May 21, 1973, will continue without interruption, becoming the responsibility of the new U.S.-USSR Joint Committee on Agricultural Cooperation.

It is expected that the first meeting of the U.S.-USSR Joint Committee on Agricultural Cooperation will be held soon and that this will be followed promptly by a meeting of the Joint Working Groups.

Because of its huge size—plus sharp variations in weather conditions—USSR crop production is characterized by wide swings from year to year. This, in turn, has a significant impact on world trade, precipitating the large imports this year of U.S. grains and soybeans.

Keeping up with these needs, however, has been difficult in the past because of the lack of a regular exchange of information on crop situations.

Although both countries publish information on their respective crops, there has been no system—such as the United States has with other countries—to meet regularly with Government officials to discuss the information available and to jointly assess its implications. The new Agricultural Agreement provides for such meetings and the regular exchange of information.

The new Joint Working Group on Agricultural Economic Research and Information provides a further avenue for exchange of information and will develop joint research projects in the field of agricultural economics. One of these is expected to relate to methods of crop forecasting. Improved crop forecasting, especially in the USSR, should be of substantial benefit to both the United States and the Soviet Union.

The other main area of cooperation—research and technological development—will draw on the extensive research programs of both countries. Major areas of cooperation will be plant, animal, and soil science and mechanization.

In plant science, both countries have major programs to increase production efficiency of crops through genetics, breeding, pest control, and obtaining and utilizing plant materials from the center of genetic diversity. The United States and the USSR are world leaders in maintaining major collections of genetic stocks of agricultural crops and have long-range programs of exploration, introduction, and evaluation of crop germ plasm. Most temperate-zone crops of importance are grown in both countries, and plant scientists conducting breeding and variety development programs rely on these major germ plasm collections for sources of valuable genetic factors for pest resistance and new agronomically desirable characteristics.

Also, a large number of the most important agricultural pests are of foreign origin. The USSR has been plagued with introduced pests and has developed extensive control programs. Under this agreement, a joint effort will be begun to seek new and more effective controls for all pests, using all available control methods—cultural, chemical, genetic, and biological.

Historically, both the United States and the USSR have had strong research programs in livestock and veterinary research. Under this agreement, cooperative programs will be developed to improve the efficiency of livestock production and to increase the supplies of meat and milk. Programs will be proposed in the following areas: Genetics and breeding; physiology; nutrition, including feed additives; technology of meat, milk and wool production on large farms; infectious diseases; parasitology; and veterinary toxicology. The exchange of animals and biological materials will be developed within the proposed projects and within the limits of existing import-export regulations. The proposed cooperative activities will cover all classes of livestock, including beef cattle, dairy cattle, swine, sheep and poultry.

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Improved Prospects Seen For U.S. Cotton in Mediterranean and Scandinavia

BY H. REITER WEBB, JR.
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PROSPECTS ARE brightening for U.S. cotton sales to the Mediterranean countries of Portugal, Spain, and Italy as a result of rapidly expanding textile industries and improved market access. Austria and the Scandinavian countries also show some renewed promise, following a precipitous fall in the U.S. market share in the former and a long-term decline in textile activity in the latter.

Such are the conclusions of two U.S. cotton missions following trips to these counties in late April and early May to assess the outlook for sales.

The first team visit—to the Mediterranean countries plus Austria—revealed an extremely high level of activity in cotton textiles.

In all of these countries, business is good, orders are running far ahead of needs, demand for cotton is the best in several years, and interest in U.S. cotton is high. Prospects for strengthening the U.S. market share are thus considered very good, although Austria presents a special problem because of the United States' virtual loss of the market a few years back.

As in the other parts of the world, there is much concern over the recent adverse weather in the United States and its affect on the 1973 crop. Along these lines is extensive interest in sales of U.S. cotton to the People's Republic of China and other countries of the Far East and in the outlook for future U.S. crops.

Portugal. This market represents an excellent opportunity for U.S. cotton now that the Portuguese African colonies of Angola and Mozambique are no longer committed to ship all of their cotton to Portugal. This action in early 1972 has led to a reduction in the colonies' market share from 77 percent in 1971 to 38 percent last year and subsequent gains in takings from other suppliers. The latter include Turkey, with 19 percent of the market; Brazil, 10 percent; the Sudan, 9 percent; and the United States, 4 percent.

In the future, the market share going to Angola and Mozambique is expected to fall further to under 35 percent, or perhaps 175,000 to 200,000 bales. This would leave a market of 300,000 to 325,000 bales per year for other countries, based on a total estimated annual consumption of 500,000 bales. It is expected that the United States might be able to obtain at least 10 percent of the total if supplies are adequate and prices competitive.

The Portuguese know cotton and have modern mills with excellent testing facilities. This has made the country strong in the export market, with perhaps the best position of any cotton-textile industry in Europe today as far as export sales of yarn and cloth are concerned. Moreover, cotton stocks are now down to 6 months' supply, and the mills are anxious to start buying for December shipment.

The Portuguese are generally pleased with U.S. cottons, considering them better than in the past. One principal complaint is the difficulty in getting direct shipments from the United States to Portugal. More often, cotton is transshipped via Northern European ports such as Antwerp and Rotterdam.

Another drawback is a lack of familiarity with U.S. cotton and its qualities because of the years of dependence on colonial cottons.

Spain. Expanding textile production and a declining cotton crop are increasing this country's market potential, with current prospects for U.S. cotton especially good. Spanish import figures show that the United States accounted for about a third of the 97,700 bales imported in January-March 1973. While the full-year share may not be that high, the U.S. cotton mission was told on several occasions that this country could export at least 100,000 to 120,000 bales to Spain this year, provided of course that supplies are adequate.

Cotton requirements of Spanish mills are covered generally until October-November, at which time harvesting of the domestic crop begins. Buying of foreign growth will start again in February-March 1974.

For the future, total imports will probably remain in the 300,000-320,000 bale range, as domestic production is projected to stay near the low 180,000 bales recorded this year.

Italy. U.S. cotton has made a good comeback in Italy, following a plunge in its market share to 4.8 percent in 1970. By 1972, this share had moved back up to 12.1 percent of Italy's 900,000-bale imports, and 1973 appears to be shaping up as one of the best years recently for U.S. cotton.

OTHER TRADITIONAL suppliers have been Turkey, Sudan, Mexico, and Brazil, while Syria is a supplier of current importance which may occupy the No. 1 spot this year.

Italy's textile business is very strong, and cotton is in great demand. The main concern now is about supply, since many cotton mills at the time of the visit had only enough cotton to carry them through November-December. Coming at a time of world shortages, this lack of extensive backlog has led to a certain nervousness about obtaining the needed cotton on time.

Also worrisome is the continued threat posed by manmade fibers. One of the largest Italian mills reported that its consumption of cotton had declined from 40,000 bales in 1972 to 18,000 this year, and will probably drop to 10,000 in the future, with the difference going to manmades.

Austria. The visit here was considered as a "door-opener" for U.S. cotton following its precipitous fall in status

This is the second of two articles on findings of U.S. cotton missions to the Far East and Europe, sponsored jointly by the Foreign Agricultural Service (FAS) and Cotton Council International (CCI). Members of the mission to Southern Europe included: Quinton B. Perry, AMCOT; H. J. Germain, American Cotton Shippers Assoc.; and Leslie S. Rogers. The Northern European mission included: H. Reiter Webb, Jr.; M. C. Harless, American Cotton Shippers Assoc.; and Jack Woolf, Fresno cotton producer.

over the last few decades: from 78 percent of Austria's cotton import in 1958, the U.S. share had plunged to 0.3 percent last year.

Regaining a share of the import—which averages around 100,000 bales annually—will be difficult, however, since Austrian spinners in the last 15 years have become accustomed to other growths. These include cotton from Turkey, Brazil, Egypt, and the USSR, with the latter now in the ascendancy.

Austrian mills nonetheless are still favorably disposed toward U.S. cotton—they prefer dealing with U.S. suppliers and would like to reestablish contacts. However, all of the cotton is bought through agents or traders (principally in Bremen and Geneva), so this appears the place to emphasize the special characteristics of U.S. cotton.

Quality, especially, is being stressed by suppliers to Austria, as spinners there need and buy the best cottons available. This emphasis reflects the high degree of specialization that has taken place in Austria during the past few years as a result of the stiff competition from imports of lower-quality cotton yarn and grey goods.

The second team visit—to the Scandinavian countries—revealed some brightening of prospects for sales to heretofore shrinking textile industries.

The Scandinavian market for raw cotton is small—about 140,000 bales total, of which some 50,000 bales of Finnish imports come from the USSR under a bilateral trade agreement. However, U.S. cotton is very popular and holds the potential of supplying about half the 90,000-bale free market import this year and possibly more in the future.

Denmark. Following a steady decline for over a decade, mill consumption of cotton in Denmark appears to have stabilized at about 15,000 bales. Only one mill, located in Vejle, is still spinning cotton in Denmark, whereas the great majority of Denmark's textile requirement—about 80 percent of the total market—is supplied by textile imports from Eastern Europe, Portugal, and the Far East.

The Danish textile industry has not been able to compete on a price basis with these imports, particularly in lower value items and volume markets. However, the single remaining mill appears to have carved out a place in the Danish market for its products on the basis of good design, quick service, small orders, and specialty items. It seems likely that this firm will continue and perhaps even slightly expand its domestic sales.

The U.S. share of Denmark's raw cotton imports has fluctuated widely during recent years, swinging from practically nothing to almost 50 percent of the total.

IN THE FUTURE, the United States should be able to capture a fairly large portion of these imports—provided U.S. cotton is competitive in quality, price, and availability—since the United States produces large amounts of the medium-quality cotton imported by Denmark.

Norway. The market situation here is similar to that of Denmark, with mill consumption stabilizing at about 15,000 bales following a steep decline. The three mills remaining in operation are concentrating on quality and service and appear to have stopped their market losses. Also, the mills still have practically all of the domestic market for yarns going into home knitting, a relatively large end use in Norway.

During recent years, the United States has usually accounted for half or more of Norway's imports of raw cotton. It should continue as a large supplier of the market, since the mills are familiar with U.S. cotton, find the quality acceptable for their purposes, and buy qualities that the United States produces in large amounts.

Sweden. The Swedish cotton textile industry is considerably larger than those of Denmark and Norway, with five companies operating 13 plants and employing about 30,000 people. Located mainly in southwestern Sweden, around the cities of Gothenburg and Boras, the industry is fully integrated up to the apparel stage of manufacture and produces large quantities of household textiles for retail sale.

Sweden's imports and consumption of raw cotton nonetheless have dropped sharply during the past decade and are now running at just below 50,000 bales annually. Here again, much of the domestic textile market has been taken

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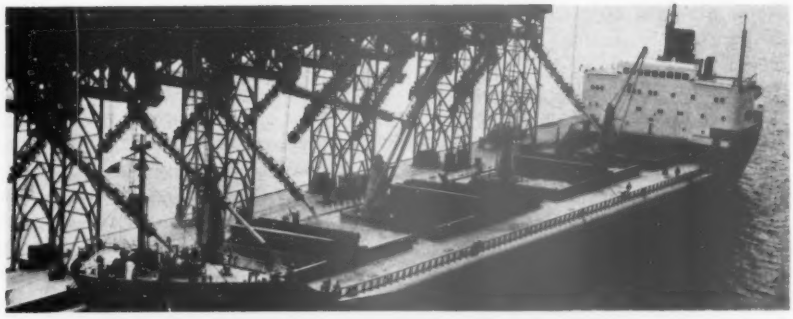
Above, Marvin C. Harless, cotton shipper of Dallas, Tex., inspects Finnish cotton fabrics. Left, Jack Woolf, cotton producer of Fresno, Calif. (l.), and Harlan J. Dirks, U.S. Agricultural Attaché to Norway and Denmark, admire Norwegian cotton comforter.

Far East and Oceania Still Biggest U.S. Competitors In Japan's Farm Market

By BRUCE L. GREENSHIELDS
Foreign Demand and Competition Division
Economic Research Service



Oceania is the stiffest U.S. competitor in Japan's farm market and one of the few areas with a rising market share. Grains and meat products account for much of this trade. Top to bottom: loading grain for export at Victoria, Australia; driving New Zealand sheep along the Tasman River flats; and harvesting wheat in Australia.

WHILE U.S. agricultural exports to Japan are at an alltime high—and the world's largest—the U.S. share of this valuable market is slipping as competition from other suppliers stiffens. Countries of Oceania and the Far East, especially, are vying for a larger share of the market, with their lower transportation costs, plus Japanese interest in expanding trade with them, helping fuel the contest.

In terms of market share, Oceania has been the most successful agricultural competitor in Japan during the past decade. Its share of the market climbed to 19 percent in 1972 from 17 percent in 1960—and this at a time when Japanese agricultural imports were recording a threefold increase. Australia is far the largest supplier from Oceania, accounting for about 90 percent of this trade, although New Zealand has also made rapid gains.

The United States, by contrast, was not able to keep pace with Japan's rapid import expansion, and its share of the market dipped to 29 percent in 1972 from 32 percent in 1960. This amounted to $1.6 billion out of Japan's $5.5 billion agricultural import last year.

Far Eastern suppliers as a group have also failed to keep pace, with their share of the Japanese market falling to 13 percent in 1972 from 17 percent in 1960. However, last year was an unusually bad one for them as a result of shortfalls in Thai corn and other important export crops.

Moreover, the futures of both the Far East and Oceania continue to be aided by Japanese efforts to stimulate trade with closer suppliers.

In 1971, for example, Japan adopted a three-column tariff system, which includes a preferential tariff schedule for Far Eastern countries, with reductions of 20-100 percent on 59 agricultural and fishery products and 833 mining and manufactured products. There are, however, ceilings on volume that can enter under the schedule, and these ceilings mitigate to some extent the impact of the duty concessions.

Japanese trade with Southeast Asia —Burma, the Khmer Republic, Laos, Indonesia, Malaysia, Philippines, Singapore, Thailand, and South Vietnam— is being further encouraged through the Southeast Asian Promotion Center for Trade, Investment, and Tourism, which is headquartered in Tokyo.

Finally, both the Far East and

Oceania are benefitting from a "develop-import" program being carried out by the Japanese Ministry of Agriculture and Forestry. The program focuses on developing alternative sources of supply for products like corn, sorghum, and beef that Japan will need over the long term, with the goal of expanding total availabilities and enhancing competition among suppliers. This is done through aid and technical assistance to suppliers and direct overseas investment in certain enterprises.

Among U.S. competitors, Australia is far the most important, with a farm market in Japan approaching the billion-dollar mark. Japan's agricultural imports from Australia in 1972 were valued at $918,067,000, up 46 percent from 1971 and double the 1964 level.

Last year, Australia was Japan's principal supplier of beef and wool and second most important supplier of raw sugar and grain sorghum. Wheat also ranks high on the list of its exports to Japan and is one of the major sources of competition for U.S. exports to Japan.

As with other countries of the area, Australia has a competitive advantage over the United States in the form of lower transportation costs. Japan has initiated a number of joint projects in Australia that have stepped up the flow of products to the Japanese markets.

SEVERAL JAPANESE firms, for instance, have invested in the Australian beef industry by way of joint ventures with Australian firms. This Japanese interest has spurred development of an entire new industry in Australia—feedlots—which heretofore had been considered unworkable because of high feed costs, lack of an Australian market for finished beef, and other factors. The result has been a threefold rise in Japanese imports of high-quality beef between fiscal 1971 and 1972 to an estimated 12,000 metric tons.

Japanese investment also helped launch grain sorghum production in Australia, which is now exporting up to a million tons a year of sorghum to Japan. Corn and oilseeds are other products receiving Japanese investment and items that will likely climb in importance as exports to Japan. Such exports, of course, would move in direct competition with U.S. grains and oilseeds in the Japanese market.

Oceania's other supplier to Japan—New Zealand—accounted for $138 million of Japan's agricultural imports last year. While dwarfed by the Australian trade figure, New Zealand's farm exports to Japan have also risen sharply in recent years. The 1972 total, for instance, was about 50 percent over the previous year's and almost three times the 1964 trade. Lamb and wool are the most important of New Zealand's agricultural shipments to Japan.

Like Australia, New Zealand is attempting to diversify exports now that it will no longer receive Commonwealth preferences in the U.K. market. This, plus the strong demand from Japan, is likely to bolster future trade ties between Japan and New Zealand.

Among the Asian competitors in the market, Thailand is the most important, accounting for $167 million of Japan's agricultural imports in 1972. This was off slightly from the 1971 total of $172 million but almost 40 percent above 1964's $120 million. Leading item in this trade was corn, with Thailand the third largest supplier (681,000 tons) after the United States (3.4 million) and South Africa (1.2 million). Japan had planned to increase its imports of Thai corn to 1 million tons in 1973, but the quantity was reduced to 450,000 tons because of the poor Thai crop.

A Japan-Thailand agreement concluded earlier this year should help boost trade in the future, as it calls for increased Japanese imports of 97 Thai products (mostly agricultural), including tapioca flour, canned pineapple, and tobacco. Recent Japanese investment in Thailand includes a joint venture to produce chemical fertilizer.

Japanese farm imports from Taiwan last year were valued at $184 million for a 28-percent gain over 1971 despite Japan's formal recognition of the People's Republic of China and resulting cessation of formal diplomatic ties with Taiwan. Japan's principal agricultural imports from Taiwan are bananas, raw sugar, pork, and tea.

Another big gainer in the market last year was Pakistan, which more than doubled its 1971 total, to some $61 million. Cotton is the leading Pakistani export to Japan.

Other important Japanese suppliers in Asia and Oceania include South Korea, $90 million (mainly raw silk); the Philippines, $79 million (bananas and molasses); and India, $61 million (cotton and peanut meal).

World Farm Producers Step Up Their Promotion in Japan Market

The most important suppliers of the $5.5-billion Japanese market for farm products—the United States, Canada, Australia, New Zealand, France, the United Kingdom, and West Germany—as well as a number of smaller ones, are spending increasingly large sums on market promotion schemes to boost sales. In 1972, 26 nations, not including the United States, spent an estimated $4.8 million on these projects, marking the fifth year in which expenditures for this purpose have risen. In 1968, $2.5 million was spent.

Many of these promotional activities were similar or identical to those of past years—festivals and events at which wines, cheeses, beverages, and other food items were sampled, for example—although several promotional trends became especially apparent last year. Australia, New Zealand, and Canada seemed to have used a larger share of their promotional resources to push the sale of livestock and meat products. These countries, as well as some others, also appeared to have placed greater dependence on farm product promotion by trade missions that visited Japan, and Japanese who made return visits.

Another development was the strengthening of ties between Japan and the People's Republic of China and the increased level of activity to step up trade. This activity was made possible when the two countries renewed diplomatic relations in 1972.

Brazil reemerged as a promoter of its farm products on a larger scale than before after an absence of 2 years. Brazil is a major producer and exporter of soybeans and its activities in 1972 may have emphasized this product.

Australian efforts to promote the sale of meat products in 1972 culminated in the formation of several Japanese-Australian meat production companies. In August, an integrated beef production operation was formed in Tasmania

by Japanese and Australian interests to produce and ship up to 2,000 tons of chilled beef to Japan a year.

A second venture, also centered in Tasmania, called for the production of about 30 tons of chilled beef a month by another Japanese-Australian firm. Operating funds and technical advice were to have been provided by the Japanese and production facilities by the Australians. The sales outlet was to be one of Japan's major chain stores.

A prominent Japanese trading firm and two Australian companies—a livestock-raising operation and a leading industrial investment house—also agreed to finance a meat plant in Melbourne with a daily processing capacity of 950 head of cattle, 5,700 sheep, and more than 800 hogs. Much of the plant's output was intended for the Japanese market.

In March 1972, about 100 Australian calves were shipped to Japan for use in a breeding experiment on Hokkaido Island. The Japanese Government wants to boost domestic beef output and is watching the experiment with interest. If successful, the result may be an upsurge in live breeder-cattle imports and a drop in foreign purchases of meat products.

New Zealand also made its first containerized shipment of chilled beef to Japan—about 60 tons—as a result of its promotional activities. New Zealand producers hope the success of the shipment will encourage Japanese importers to increase purchases of New Zealand beef.

Canada is also eager to increase sales in the Japanese beef market and in 1972 shipped 32 highly finished carcasses to Japan. Canada has made similar shipments in previous years, but the current one was tried in an effort to develop a specialty market for slaughtered heifers and young cows at premium prices, and to serve as an opening wedge for other Canadian beef products.

The opening of diplomatic relations between Japan and China in 1972, permitted establishment of more stable trade connections between the two countries. In 1972, a major Japanese trading firm and an Osaka-based supermarket chain were designated as being "friendly firms" by the Chinese trade officials. The designation will enable both Japanese companies to deal directly with Chinese trade organizations instead of having to work through third parties.

Other promotional activities resulted in the visit of a Chinese agricultural mission to Japan in July and return visits by a Japanese broiler mission and a meat inspection team in October. A third Japanese mission visited China for 3 weeks in November to establish a framework for future agricultural trade between the two countries.

Australia's trade missions to Japan strenuously promoted a wide variety of products. A seven-member Australian food-processing industry mission— financed by the Australian Government —visited Japan in May 1972 to negotiate directly with leading department stores, supermarkets, food producers, wholesalers, and retailers to boost Japanese purchases of meats, dairy products, margarine, canned products, and other processed foods. A second mission visited at least four Japanese cities to promote other Australian products.

A Japanese Food Agency team visited Australia in May, while a wheat team from Down Under visited Japan in the same month.

Japanese flour millers and a team of edible oil manufacturers visited Canada on Canadian Government financed trips, while at least two visits to Japan were made by members of the Canadian Wheat Board. Several other Canadian trade missions also visited the Pacific island nation.

The United Kingdom, Mexico, Sweden, and Ceylon sent groups of traders to Japan, while Japanese teams went to Brazil and North Korea.

—Based on dispatch from
DAVID L. HUME
U.S. Agricultural Attaché
Tokyo

After being graded, lamb destined for export gets a final check before it is bagged at a Whakatu, New Zealand, slaughterhouse. Lamb and wool are New Zealand's most important exports to Japan.

Declining Dairy Earnings Spur New Zealand's Market Expansion

WITH INCOME from its dairy exports dropping, the New Zealand Government has urged sharply increased diversification of the country's dairy markets and products as well as expanded meat output for export.

Dairy export earnings are expected to be down 18 percent from more than US$418 million in 1971-72 to about US$344 million in 1972-73. This is mostly a result of smaller sales to the United Kingdom—the most important market for New Zealand dairy products —and sterling devaluation.

On a recent trip to Europe, Mr. Colin Moyle, New Zealand's Minister of Agriculture and Fisheries, was unable to obtain any relief from loss of earnings through devaluation of sterling, which is estimated to have cost the New Zealand dairy industry US$36 million in 1972 and probably will result in further reduction of dairy earnings of about US$33 million in 1973.

Another reason for this year's lower export earnings is an expected 3-percent decline in milkfat production. In 1971-72, total milkfat production was 649 million pounds, while for 1972-73, the New Zealand Dairy Board expects 631 million pounds. Causing the decline was a drought which affected hay and feed production as well as pasture conditions.

Of major importance to the New Zealand dairy industry is the future of its market in the United Kingdom. Mr. Moyle received assurances recently from the British Government that there would be some continuing arrangement for the purchase of butter after the expiration in 1977 of the Luxembourg Agreement, incorporated in the United Kingdom's Treaty of Accession to the European Community, which authorized import into the United Kingdom of decreasing quotas of New Zealand butter.

Nevertheless, he was "extremely disturbed" by the substantial growth of dairy surpluses in Europe (see *Foreign Agriculture*, June 4, 1973), caused by an increase in production and decline in consumption.

The United Kingdom, the world's largest importer of butter, also has been the most important market for New Zealand's dairy products, especially butter. In the past 5 years, 85 to 95 percent of the butter exported by New Zealand has gone to the United Kingdom. In 1971-72, sales to the United Kingdom made up 85.1 percent of New Zealand's butter exports and 71.6 percent of the natural cheese exports.

However, the total dairy trade with the United Kingdom has been decreasing during recent years. Only 40 percent of New Zealand's dairy exports went to the United Kingdom in 1971-72, compared with 47 percent the previous year and 77 percent 10 years ago. A factor has been decreasing consumption of butter in the United Kingdom in the last 5 years, except for a slight rise in 1969. Consumption in 1971 was 8 percent lower than in 1967.

It is expected that New Zealand butter sales will suffer further losses as the U.K. dairy price program approaches the level of the original EC-6. As Mr. Moyle noted, the United Kingdom is interpreting the Luxembourg Agreement on dairy sales literally and "doing everything to prove to the EC countries that it is most anxious to gain the respect of its new colleagues by appearing not to favor New Zealand."

Chances are remote for favorable review of New Zealand butter when the Luxembourg Agreement expires in 1977, he feels, if such practices as the heavily subsidized sale of 200,000 metric tons of EC butter to Russia continue.

Acceleration of diversification of New Zealand dairy products and markets is necessary, Mr. Moyle concludes. The New Zealand Dairy Board already services about 100 different markets with a variety of milk products.

Areas of greatest expansion have been in Southeast Asia and South America. Sales to Southeast Asia exceeded 75,000 long tons in 1971-72, including large amounts of anhydrous milkfat, skim milk and buttermilk powders for recombining. Sales to that area totaled about US$44 million.

Chile and Peru took about 63,000 long tons of New Zealand's dairy products valued at more than US$42 million, in 1971-72. Most of this was milk powders and milkfat for recombining plants, purchased through centralized Government buying agencies.

The Caribbean and Central American markets remain important to New Zealand, especially for butter and cheese. Also, milk recombining is increasing. Recently, 5,000 tons of skim milk were sold to Cuba. Sales in the region approached 30,000 long tons in 1971-72.

The Caribbean, South and Central America, Southeast Asia, and Africa now take about 200,000 long tons of New Zealand dairy products a year and 40 percent of total dairy exports.

A "promising" market for New Zealand dairy products, according to Mr. Moyle, is Japan, which in 1971-72 imported a total of about 46,210 long tons (worth about US$35 million), compared with 41,783 long tons during the previous season.

ANOTHER DEVELOPMENT viewed with favor by the Minister is the temporary raising of cheese quotas by the United States. (U.S. cheese quotas were raised temporarily in April, 1973, by 50 percent from 127 million pounds to almost 200 million pounds.)

Mr. Moyle foresees increased diversification of other New Zealand export products and markets outside of the dairy industry, in keeping with recent developments. Although dairy export earnings were down from 1971-72 to 1972-73, total export earnings were up 28 percent from 1971-72 to almost US$2,169 million in 1972-73. Export earnings in meat and wool were up about 56 percent from 1971-72 an estimated US$1,256 million in 1972-73.

Western Europe is a good market for New Zealand lamb as demand there is high, due to a current shortfall of lamb. Lamb meat production in the EC-9 is down 40 million pounds from about 1,063 million pounds in 1971. According to Mr. Moyle, with 3 million lamb-eating foreign workers, Germany is anxious to cooperate in promoting increased consumption. France also is in the market for increased quantities.

The best hope is for manufacturing beef, the Minister believes, as New Zealand beef products are virtually assured of a growing demand both in the United States and in Europe.

—Based on reports from
ROLLAND E. ANDERSON, JR.
U.S. Agricultural Attaché
Wellington

U.S. CATTLE AND SEMEN SALES AT NOVI SAD FAIR EXCEED $1 MILLION

Sign, upper left, indicates Pavilion 24, lower left, which housed the U.S. exhibit May 11-20, 1973, at Novi Sad, Yugoslavia. Semen and cattle sales resulting from U.S. participation were mostly to Yugoslav Kombinats. Above, Dr. Frank Crane, U.S. co-op official, addresses cattle-feeding seminar.

Above, Darwin Stolte, president, U.S. Feed Grains Council (l.), talks with a Yugoslav mixed-feed trade representative.

Below, U.S. Agricultural Attache James Hickman introduces Charles Larson, of Holstein-Friesian Association, to luncheon guests. Left, Yugoslav scientist comments on seminar paper.

Forty-five reporters attended the Novi Sad press briefing, above; 156 attended the seminar, right.

CROPS AND MARKETS

GRAINS, FEEDS, PULSES, AND SEEDS

Rotterdam Grain Prices and Levies

Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	July 3	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 1 CWRS-14	[1]	[1]	1.95
USSR SKS-14	[1]	[1]	[1]
Australian FAO [2]	[1]	[1]	1.77
U.S. No. 2 Dark Northern Spring:			
14 percent	3.60	+ 1	1.86
15 percent	3.70	0	1.91
U.S. No. 2 Hard Winter:			
13.5 percent	3.56	− 1	1.78
No. 3 Hard Amber Durum	4.02	+ 7	1.80
Argentine	[1]	[1]	[1]
U.S. No. 2 Soft Red Winter	[1]	[1]	[1]
Feedgrains:			
U.S. No. 3 Yellow corn	3.01	−10	1.44
Argentine Plate corn	3.42	− 4	1.70
U.S. No. 2 sorghum	2.90	− 1	1.41
Argentine-Grainifero sorghum	2.91	− 2	1.42
U.S. No. 3 Feed barley	2.42	− 8	1.21
Soybeans: [3]			
U.S. No. 2 Yellow	8.44	+49	3.76
EC import levies:			
Wheat [4]	[5] 1.06	+ 5	1.86
Corn [6]	[5] .41	+ 9	1.30
Sorghum [6]	[5] .49	− 5	1.31

[1] Not quoted. [2] Basis c.i.f. Tilbury, England. [3] New crop. [4] Durum has a separate levy. [5] Levies applying in original six EC member countries. Levies in the U.K., Denmark, and Ireland are adjusted according to transitional arrangements. [6] Italian levies are 23 cents a bu. lower than those of other EC countries.

Note: Price basis 30- to 60-day delivery.

Indian Monsoon Rains Arrive on Schedule

Monsoon rains arrived on schedule in Kerala, India, during the first few days of June and then moved northward along the Malabar coast to Bombay and some drought areas of Maharashtra and Gujarat. Widespread showers occurred in many areas of western India—where no appreciable rainfall had occurred for more than 12 months—especially in the second week of June.

Rainfall in India varies widely during the first 3 weeks of June. In general it appears that heavy rainfall during this period usually contributes to favorable yields for kharif crops (those grown during the summer and harvested in the autumn and winter). Likewise, an absence of adequate rainfall during this period usually hampers yields.

Heavy and widely dispersed rainfall during the first weeks of June 1970 followed by above-average rainfall during the remainder of the monsoon contributed to a record production of 67 million tons of foodgrains during the 1970-71 kharif season. In contrast, a marked shortage of rainfall during the first weeks of June 1972, plus unusually hot and dry weather in late July and early August, caused foodgrain production from the 1972-73 kharif harvest to decline to about 50 million tons.

It is too early to make estimates for kharif grain output based upon rainfall and various input factors. Yet, some officials have indicated that good rainfall in early June in the past has contributed to favorable crop production and grain output of kharif crops in 1973-74 should be 10 to 15 million tons above the low level in 1972-73.

Grain Exports and Transportation Trends: Week Ending June 22

Weekly grain inspections for export and grain moving in inland transportation for the week of June 22 and the previous week were:

Item	Week ending June 22	Previous week	Weekly average, May	Weekly average, third quarter
	1,000 metric tons	*1,000 metric tons*	*1,000 metric tons*	*1,000 metric tons*
Weekly inspections, for export:				
Wheat	903	643	758	637
Feedgrains	1,001	770	688	690
Soybeans	114	205	268	327
Total	2,018	1,618	1,714	1,654
Inland transportation:				
Barge shipments of grain	[1]	492	221	495
	Number	*Number*	*Number*	*Number*
Railcar loadings of grain	33,402	32,111	30,619	32,271

[1] Not available.

USDA Reports Export Sales Of Grain, Some Oilseeds, and Meal

Based on information received by the U.S. Department of Commerce from exporters, USDA reports undelivered export sales as of June 13, 1973.

Marketing years for these crops are as follows: Wheat, barley, rye, and oats—June 13 to June 30, 1973 and July 1, 1973 to June 30, 1974; and July 1, 1974 to June 30, 1975; rice and cottonseed—August 1 to July 31; soybeans—September 1 to August 31; and corn, grain sorghum, soybean cake and meal —October 1 to September 30.

USDA officials pointed out that as of June 13 we were well into the 1972-73 marketing year on corn, grain sorghum, rice oilseeds, and meals, and that total exports estimates for 1972-73 should take into account actual exports made through the second week in June as well as the reports of export sales for delivery during the remainder of the marketing year.

Exporters were required to submit an initial report of their unfilled export orders no later than June 20, 1973, under

Department of Commerce Export Control Bulletin 84(a) issued on June 13, 1973.

In a cooperative arrangement with the Department of Commerce, USDA will release summary date each week as reported by U.S. exporters under the export control bulletin.

ANTICIPATED EXPORTS IN INDICATED MARKETING YEAR
[In thousands of metric tons]

Commodity	1972-73	1973-74	1974-75
Wheat, totals	2,763	17,631	410
Hard Red Winter	1,785	13,107	243
Soft Red Winter	76	230	0
Hard Red Spring	595	3,170	132
White	143	282	0
Durum	164	761	36
Mixed	0	82	0
Barley, unmilled	254	984	0
Rye, unmilled	181	288	0
Oats, unmilled	45	214	0
Corn, except seed, unmilled	11,199	16,217	54
Grain sorghum, unmilled	1,659	1,997	0
Rice	96	50	0
Soybeans	2,511	11,509	420
Soybean cake and meal	2,035	4,093	1
Cottonseed, cottonseed cake and meal	12	3	0

LIVESTOCK AND MEAT PRODUCTS

Foot-and-Mouth Halts Austria's Livestock and Meat Exports

Since January 25, when an outbreak of foot-and-mouth disease was first reported in Austria, 690 farms have been involved, and 30,000 hogs and 3,000 head of cattle have been destroyed on Government orders.

The epidemic is now in eastern Austria, and the Ministry of Health has banned shipments of susceptible animals and meat from contaminated locations to disease-free areas.

On May 4, Czechoslovakia closed its border with Austria. West Germany and Italy, Austria's principal market for livestock and meat exports, have also banned imports of these products from Austria.

TOBACCO

Malawi's '73 Tobacco Crop Brings Record Prices

Malawi's Tobacco Control Commission reports keen competition and record prices during the first 7 weeks of flue-cured sales. The market's opening on April 3 sent prices soaring but they moderated somewhat after the opening day with prices fluctuating between 76 and 82 U.S. cents per pound.

During the first 7 weeks of sales, 10.3 million pounds of flue-cured leaf sold for an average price of about 79 cents per pound. In 1972, 8.7 million pounds averaged 51 U.S. cents during the corresponding 7-week period.

Burley sales started in mid-May with early prices well above 1972 levels. The first 800,000 pounds sold for an average of 50 U.S. cents, compared with 30 U.S. cents paid during the same period last year.

Malawi's 1973 tobacco production is estimated at 70.3 million pounds. This includes 22.5 million pounds of flue-cured, 15.8 million of burley, and 26.8 million of fire-cured.

The flue-cured crop represents an increase of 18 percent over 1972 production.

Japan Reduces Prices On Imported Cigarettes

The Japan Tobacco Monopoly recently announced price cuts on a number of brands of imported cigarettes and other tobacco products from the United States, Canada, Britain, and Cuba. The price reductions range from 10 yen to 40 yen per pack or unit and are based on realinement of exchange rates following devaluation of the U.S. dollar. Realinement has made foreign-manufactured goods, particularly American products, less expensive on the Japanese market.

This is the second price reduction on imported tobacco products in 13 months. A year ago, following the Smithsonian devaluation of the U.S. dollar and revaluation of the Japanese yen, the Monopoly lowered prices on a number of imported brands. Prices of most U.S. cigarette brands were lowered 9 percent in the recent announcement from about 77 U.S. cents to 69 U.S. cents per package.

Japan has been a growing market for U.S. cigarettes. Exports of U.S. brands to Japan increased 20 percent in 1972 and reached a new record of 1,051 million cigaretes (52.6 million packs) for a total value of $6.3 million. The value of all manufactured tobacco products reached a total of $7.3 million.

Japan is also the third largest U.S. market for unmanufactured tobacco with a value of nearly $105 million in 1972.

FRUIT, NUTS, AND VEGETABLES

Mediterranean Fruit Fly Outbreak Noted in Chile

A Mediterranean fruit fly outbreak was detected recently in the National Development Corporation's farm Esmeralda, a horticultural center located in Matilla, Iquique. The Servicio Agricola y Ganadero (SAG) has taken measures to eradicate the outbreak, and movement of fruit and other agricultural crops from the area has been prohibited.

Norway Fixes Import Calendar For Apples and Pears

The trade agreement between Norway and the European Community covering agricultural products was signed recently.

One of the provisions establishes fixed import calendars for a number of horticultural commodities. Among the more important items to U.S. trade were fresh apples and pears.

The free-import period for apples from all sources has been fixed from February 1 through April 30, and for pears, from December 20 to August 10. Imports during these periods will not be subject to any quantitative restrictions such as licenses or quotas.

In the past, Norway's opening dates for apples and pears varied from year to year, depending upon availability of local supplies. Uncertainty of the frontier opening posed a persistent problem in arranging orders and shipping space for U.S. fruit.

Mexico's Citrus Output May Be Down

The citrus trees in Nuevo Leon, the major exporting State in Mexico, are reported to be in good condition following ample rainfall this year. However, fruit set is apparently light in some areas. As a result 1973-74 production of oranges, both early and late varieties, is expected to be less than the 1972-73 total of 290,000 metric tons.

Tangerine output is expected to be considerably below the 104,000 tons produced this season, but indications are that the grapefruit crop will exceed 1972-73 production of 9,000 tons.

In mid-May of this season on-tree prices for Valencia oranges ranged from US$24-$32 per metric ton while grapefruit was being sold for US$80-$96 per metric ton on the tree.

Tariff Commission Rules Against Hawaiian Pineapple Cannery Workers

The U.S. Tariff Commission unanimously ruled that certain workers of a Hawaiian pineapple cannery firm did not warrant adjustment assistance as provided for under the Trade Expansion Act of 1962 (Section 301 (c) (2)).

The Commission's verdict contends that increased imports of recent years were not a result, in major part, of concessions granted under earlier trade agreements.

Italy Extends Period for U.S. Grapefruit Imports

The Italian Ministry of Agriculture recently extended the authorized period for importing U.S. grapefruit through December 31, 1973. Under the previous announcement imports were authorized until June 30, 1973.

Only four Italian ports of entry are permitted for U.S. grapefruit: Genoa, Naples, Venice, and Trieste.

FATS, OILS, AND OILSEEDS

Soviet Oilseed Crushing Capacity Reported

Oil World Weekly of Hamburg, West Germany, quotes an official Soviet source as saying total current USSR oilseed crushing capacity (cottonseed excluded) ranges between 8.5-9 million tons, of which 8 million tons may be considered operational, that is capable of working 348 days per year.

Soviet domestic oilseed production appears to have peaked in 1968 at about 7 million tons.

In 1972 sunflower production fell again, and oilseeds (not including cottonseed) available for crush probably fell below 6 million, leaving a capacity of 2 million tons available for processing imported oilseeds. Capacity of 1 million tons is being used to process imported U.S. soybeans.

If Soviet sunflower and soybean production increases 500,000 to 1 million tons in 1973, capacity available for processing imported oilseeds, including U.S. soybeans, may fall to the 1-1.5-million-ton (37-55-million-bushel) level.

Norway Makes Big Oil Sale to China

The Norwegian oil hardening industry has reportedly signed a US$3.3-million contract to provide 10,000 metric tons of hardened fish oils to the People's Republic of China. One processor will supply between 6,000 and 7,000 tons, while the balance will come from two other hardening plants.

A spokesman for the industry said the sale will partly replace the loss in export volume Norway sustained when Denmark and the United Kingdom—two of Norway's formerly important markets—joined the European Community.

After January 1, 1974, these markets will have a tariff of 17 percent ad valorem on exports of hardened fish oil. Norwegian exporters believe a tariff at this level will force them out of the U.K. and Danish markets.

SUGAR AND TROPICAL PRODUCTS

World Coffee Output 7 Million Bags Less than 1973-74 Demand

The U.S. Department of Agriculture's first estimate of the 1973-74 world coffee crop is 66.9 million bags (132 lb.) —9 percent lower than the previous year's outturn. Exportable production is estimated at 46.9 million bags, substantially below current estimated world-import demand of 54 million bags. This difference will probably cause a sharp drawdown in world stocks.

The currently projected decline is primarily attributable to the July 1972 frost in Brazil. The State of Paraná incurred most of the damage, and its current production is estimated at only about 5 million bags. Trees in São Paulo were relatively unscathed by the frost, but the majority are in the "off year" of the biannual cycle, and production was expected to be lower than last year's.

Some estimates for 1972-73 have been revised, so that world production is now estimated at 73.2 million bags, with exportable production estimated at 53.8 million.

World Sugar Production Less Than Consumption

During 1972-73, world output of centrifugal sugar will set a new record, but probably will not meet consumption requirements. The world crop will be an estimated 75.7 million metric tons in 1972-73, 8 percent above the year before. However, world consumption has increased more rapidly than production during recent years with higher world prices the result.

The largest crops will be harvested in the following countries during 1972-73 (centrifugal sugar, raw value, in million metric tons): the Soviet Union, 8; Brazil, 6.3; the United States, 6.1; Cuba, 5.5; and India, 4.5.

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IMPROVED PROSPECTS SEEN FOR U.S. COTTON

Continued from page 7

over by imports.

However, the decline appears to have been arrested, with the Government now attempting to see that the industry is not further jeopardized.

These Government efforts have included import quotas with low-cost textile producing countries and a program to help domestic textile mills modernize through loans and small subsidies for textile exports. Sweden now exports about 25 percent of its textile output, an increase of five times over the level that existed 10 years ago.

Another factor helping to stop the downtrend in domestic cotton consumption has been the development of some new uses for cotton. Among these are roller and vertical window blinds, based on outstanding designs; new fabrics for upholstery; and cotton terrycloth blankets, which are popular with hospitals because they can be boiled and do not require ironing.

The United States has usually supplied over half of Sweden's imports of raw cotton and should continue to do so in the future since U.S. cotton is well accepted by Sweden's mills, familiar to them in their various end uses, and available in qualities desired.

Finland. The market situation for raw cotton here is quite different from that of the three other Scandinavian countries. While imports and consumption have declined during the past decade, the loss has been much less than in the other countries. Finland is now consuming nearly half the Scandinavian total, or around 60,000 bales annually, most of which is imported from the USSR under a bilateral trade agreement, providing for around 55,000 bales annually. However, the USSR has not pressed Finland to take the full quota recently.

Aside from cotton imported from the USSR, the United States has usually been the major supplier of raw cotton to Finland, with the principal competitors being Brazil and Mexico. Finland also imports some extra-long-staple cotton from Egypt and occasionally Peru.

While Finland is not likely to buy large quantities of U.S. cotton in the near future, it appears that U.S. sales can be expanded somewhat. The time would seem ripe for a larger effort on the part of U.S. exporters.

Japan Halts Rice Cutback

Japan will discontinue its program to reduce rice production next year in view of the current worldwide food situation, according to a recent statement by Prime Minister Tanaka.

Japanese rice stocks will decline to 500,000 tons this year from the high level of 7 million tons of 3 years ago. The drop was the result of a 2-million-ton annual reduction in rice harvests since 1971, brought about by a steady cutback in rice acreage.

During the year ending March 31, 1973, a total of 674,000 acres out of the 1.4 million acres diverted from rice was left fallow. Beginning next year, farmers will be encouraged to switch to fruit and vegetable crops, but may produce as much rice as they like. In addition, farm organizations are pressing for a substantial increase in producer rice prices.

New U.S.-USSR Agricultural Agreement

Continued from page 5

In mechanization of farm operations, the USSR is interested in obtaining U.S. technology to improve the mechanization of its agriculture generally, with special emphasis on harvesting and handling and management of large enterprises. Through this agreement there is an opportunity for U.S. machinery and equipment companies to increase sales of their products. The USSR has an active program of research on tillage and land management. Joint research programs in these areas can be beneficial to both countries.

The USSR has an outstanding research program in soil science, especially in soils with a high salinity level. Cooperation between these USSR scientists and U.S. scientists of the Southwest should be rewarding. Similarly, cooperation will be established between scientists and specialists attempting to improve production in the semiarid areas of both countries.

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